

CAJON VALLEY UNION SCHOOL DISTRICT

SAN DIEGO COUNTY

EL CAJON, CALIFORNIA

AUDIT REPORT

JUNE 30, 2000

Introductory Section

**CAJON VALLEY UNION SCHOOL DISTRICT
TABLE OF CONTENTS**

Page

FINANCIAL SECTION

Independent Auditor's Report on Financial Statements.....	6
Combined Statements:	
Combined Balance Sheet - All Fund Types and Account Group.....	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	10
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types	11
Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type - Self-Insurance Fund.....	13
Statement of Cash Flows - Proprietary Fund Type - Self-Insurance Fund.....	14
Notes to the Financial Statements.....	16
Combining Financial Statements:	
<u>Special Revenue Funds</u>	
Combining Balance Sheet.....	28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	30
<u>Capital Projects Funds</u>	
Combining Balance Sheet.....	32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	34

**CAJON VALLEY UNION SCHOOL DISTRICT
TABLE OF CONTENTS
(Continued)**

Page

Agency Funds

Combining Statement of Changes in Assets and Liabilities - Agency Funds 36

SUPPLEMENTARY INFORMATION SECTION

Organization 38

Schedule of Average Daily Attendance-Table 1 39

Schedule of Instructional Time-Table 2 40

Schedule of Financial Trends and Analysis-Table 3 41

Schedule of Expenditures of Federal Awards-Table 4 42

Reconciliation of Annual Financial and Budget Report J-200 With
Audited Financial Statements-Table 5 43

Note to Supplementary Information 44

OTHER INDEPENDENT AUDITOR'S REPORTS

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards..... 46

Auditor's Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133 47

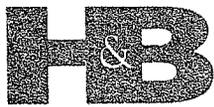
Auditor's Report on State Compliance..... 49

FINDINGS AND RECOMMENDATIONS

Schedule of Audit Findings and Questioned Costs..... 52

Status of Prior Year Findings and Recommendations 55

Financial Section



James C. Harlan III
William C. Boettger
P. Robert Wilkinson
Marshall J. Varano

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Cajon Valley Union School District
El Cajon, California**

We have audited the accompanying general-purpose financial statements of the Cajon Valley Union School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements for the omission of the general fixed asset group of accounts, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Cajon Valley Union School District at June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of each individual fund of the Cajon Valley Union School District at June 30, 2000, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining financial statements of Cajon Valley Union School District. The accompanying financial and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of Cajon Valley Union School District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

October 20, 2000

General Purpose Financial Statements

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2000

	Governmental	
	General Fund	Special Revenue Funds
Revenue:		
Revenue limit sources:		
<i>State apportionments</i>	\$ 43,884,957	\$ -
<i>Local sources</i>	28,095,685	-
Total revenue limit	71,980,642	-
<i>Federal</i>	7,522,935	3,084,501
<i>Other state</i>	22,380,664	1,534,573
<i>Other local</i>	10,820,960	1,697,600
Total revenues	112,705,201	6,316,674
Expenditures:		
Current:		
<i>Certificated salaries</i>	56,302,196	295,961
<i>Classified salaries</i>	17,184,612	2,060,664
<i>Employee benefits</i>	20,025,901	549,594
<i>Books and supplies</i>	4,230,992	2,476,987
<i>Services and other operating expenditures</i>	9,332,074	857,746
<i>Capital outlay</i>	2,357,918	168,739
<i>Debt service</i>	2,975,706	-
Total expenditures	112,409,399	6,409,691
Excess (deficiency) of revenues over (under) expenditures	295,802	(93,017)
Other financing sources (uses):		
<i>Operating transfers in</i>	-	684,332
<i>Operating transfers out</i>	(621,865)	-
<i>Other sources</i>	-	-
<i>Other uses</i>	172,053	(176,645)
Total other financing sources (uses)	(449,812)	507,687
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(154,010)	414,670
Fund balances/equity, July 1	10,782,909	343,843
Fund balances/equity, June 30	\$ 10,628,899	\$ 758,513

The accompanying notes are an integral part of this statement.

Fund Types		Totals (Memorandum Only)
Debt Service Fund	Capital Projects Funds	June 30, 2000
\$ -	\$ -	\$ 43,884,957
-	-	28,095,685
-	-	71,980,642
-	-	10,607,436
6	-	23,915,243
1,063	1,459,111	13,978,734
1,069	1,459,111	120,482,055
-	-	56,598,157
-	58,773	19,304,049
-	20,681	20,596,176
-	-	6,707,979
-	42,162	10,231,982
-	398,456	2,925,113
-	562,584	3,538,290
-	1,371,350	120,190,440
1,069	87,761	291,615
-	-	684,332
-	-	(621,865)
-	(28,702)	(28,702)
-	-	(4,592)
-	(28,702)	29,173
1,069	59,059	320,788
2,729	791,394	11,920,875
\$ 3,798	\$ 850,453	\$ 12,241,663

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,119,638	3,084,501	(35,137)	-	-	-
1,358,069	1,534,573	176,504	-	6	6
1,573,832	1,697,600	123,768	-	1,063	1,063
6,051,539	6,316,674	265,135	-	1,069	1,069
398,626	295,961	102,665	-	-	-
3,835,310	2,060,664	1,774,646	-	-	-
819,600	549,594	270,006	-	-	-
2,680,581	2,476,987	203,594	-	-	-
1,260,573	857,746	402,827	-	-	-
182,542	168,739	13,803	-	-	-
-	-	-	-	-	-
9,177,232	6,409,691	2,767,541	-	-	-
(3,125,693)	(93,017)	3,032,676	-	1,069	1,069
606,240	684,332	78,092	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(179,588)	(176,645)	2,943	-	-	-
426,652	507,687	81,035	-	-	-
(2,699,041)	414,670	3,113,711	-	1,069	1,069
343,843	343,843	-	2,729	2,729	-
\$ (2,355,198)	\$ 758,513	\$ 3,113,711	\$ 2,729	\$ 3,798	\$ 1,069

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 45,819,049	\$ 43,884,957	\$ (1,934,092)
25,183,382	28,095,685	2,912,303
<u>71,002,431</u>	<u>71,980,642</u>	<u>978,211</u>
9,525,378	10,607,436	1,082,058
29,034,700	23,915,243	(5,119,457)
3,919,913	13,978,734	10,058,821
<u>113,482,422</u>	<u>120,482,055</u>	<u>6,999,633</u>
57,846,341	56,598,157	1,248,184
22,608,989	19,304,049	3,304,940
21,068,653	20,596,176	472,477
11,788,691	6,707,979	5,080,712
11,619,306	10,231,982	1,387,324
4,041,241	2,925,113	1,116,128
3,543,915	3,538,290	5,625
<u>132,805,830</u>	<u>120,190,440</u>	<u>12,615,390</u>
(19,323,408)	291,615	19,615,023
606,240	684,332	78,092
(656,240)	(621,865)	34,375
(28,702)	(28,702)	-
(88,659)	(4,592)	84,067
<u>(167,361)</u>	<u>29,173</u>	<u>196,534</u>
(19,490,769)	320,788	19,811,557
11,920,875	11,920,875	-
<u>\$ (7,569,894)</u>	<u>\$ 12,241,663</u>	<u>\$ 19,811,557</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 2000

EXHIBIT A-4

	Proprietary Fund Type	Totals (Memorandum Only)
	Internal Service Fund	June 30, 2000
OPERATING REVENUES:		
<i>Investment income</i>	\$ 20,209	\$ 20,209
<i>Fees and contracts</i>	5,928,236	5,928,236
Total revenues	<u>5,948,445</u>	<u>5,948,445</u>
OPERATING EXPENSES:		
<i>Certificated personnel salaries</i>	5,000	5,000
<i>Classified personnel salaries</i>	51,316	51,316
<i>Employee benefits</i>	18,861	18,861
<i>Services and other operating expenditures</i>	5,298,453	5,298,453
Total expenses	<u>5,373,630</u>	<u>5,373,630</u>
Operating income (loss)	<u>574,815</u>	<u>574,815</u>
NONOPERATING REVENUES (EXPENSES):		
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>
Net income (loss) before operating transfers	<u>574,815</u>	<u>574,815</u>
TRANSFERS:		
<i>Interfund transfers in</i>	8,910	8,910
<i>Interfund transfers out</i>	(7,600)	(7,600)
Net income (expense)		
Retained earnings/fund balances, July 1	(379,260)	(379,260)
Retained earnings/fund balances, June 30	<u>\$ 215,555</u>	<u>\$ 215,555</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES

YEAR ENDED JUNE 30, 2000

EXHIBIT A-5

	Proprietary Fund Type	Totals (Memorandum Only)
	Internal Service Funds	June 30 2000
Cash Flows from Operating Activities:		
<i>Cash Received from Premiums</i>	\$ 5,928,236	\$ 5,928,236
<i>Cash Received from Interest</i>	20,209	20,209
<i>Interfund Transfers</i>	20,000	20,000
<i>Cash Payments to Other Suppliers for Goods and Service</i>	(5,260,965)	(5,260,965)
Net Cash Provided (Used) by Operating Activities	<u>707,480</u>	<u>707,480</u>
Net Increase (Decrease) in Cash and Cash Equivalents	707,480	707,480
Cash and Cash Equivalents at Beginning of Year	584,094	584,094
Cash and Cash Equivalents at End of Year	<u>\$ 1,291,574</u>	<u>\$ 1,291,574</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ 594,815	\$ 594,815
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	(27,015)	(27,015)
<i>Increase (Decrease) in Accounts Payable</i>	139,680	139,680
<i>Increase (Decrease) in Deferred Revenue</i>	-	-
Total Adjustments	<u>112,665</u>	<u>112,665</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 707,480</u>	<u>\$ 707,480</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CAJON VALLEY UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The district accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. Except for the omission of fixed assets, the accounting policies of the district conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Fund Accounting

The accounts of the district are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity (or retained earnings), revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The district's accounts are organized into four broad categories which in aggregate include six fund types and one account group as follows:

Governmental Funds:

The *General Fund* is the general operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The district maintains three special revenue funds:

- The Deferred Maintenance Fund is used for the purpose of major repair or replacement of district property.
- The Cafeteria Fund is used to account for revenues received and expenditures made to operate the district's cafeterias.
- The Child Development Fund is used to account for resources committed to child development programs maintained by the district.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The district maintains one debt service fund:

- The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Fund apportionments. These taxes will continue to be levied until the indebtedness is fully paid.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The district maintains four capital projects funds:

- The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- The State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17700-17780).
- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The Special Reserve Fund is used to account for the specific capital projects of the district.

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the district. The district maintains one internal service fund, the Self-Insurance Fund, which is used to provide medical benefits to its employees.

Fiduciary Funds:

Agency Funds are used to account for assets of others of which the district acts as an agent. The district maintains eleven agency funds for student body.

Account Groups:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow," measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, fixed assets and long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the district.

The *General Long-Term Debt Account Group* accounts for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough hereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The district applies all applicable Financial Accounting Standards Board (FASB) pronouncements in accounting and reporting for its proprietary operations.

Trust and agency fund assets and liabilities are also accounted for on the modified accrual basis.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the district's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The district's governing board satisfied these requirements.

These budgets are revised by the district's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements which have been revised subsequent to year end.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The district employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

F. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the district maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Fund, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables.

3. Inventories and Prepaid Items

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The district has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefitting period. The district has chosen to report the expenditure when incurred.

4. Compensated Absences

In accordance with GASB No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the district. The current portion of the liabilities, if material, is recognized in the applicable fund at year-end. The noncurrent portion of the liabilities is recognized in the General Long-Term Debt Account Group.

Accumulated employee sick leave benefits are not recognized as liabilities of the district. The district's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

5. Long-Term Obligations

The district reports long-term debt of governmental funds at face value in the general long-term account group.

6. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

7. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the district. Tax revenues are recognized by the district when received.

8. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. These amount of on-behalf payments made for the District is estimated at \$3,142,161.

9. Fixed Assets

Although the District maintains a complete list of their equipment as required by Education Code Section 35168 they have not, as with most school districts, maintained historical cost records of all fixed assets (buildings and land) from when the first school was built, as required by generally accepted accounting principles.

10. Deferred Revenue

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

11. Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.

G. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with Education Code Section 41001, the district maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$13,941,816 as of June 30, 2000). The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$795,838 as of June 30, 2000) and in the revolving fund (\$15,000) are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institution is fully insured or collateralized.

Cash With Fiscal Agent

Cash with fiscal agent at June 30, 2000, held on behalf of the District, is presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category			Carrying Amount	Fair Value
	1	2	3		
Guaranteed investment contracts (GIC)	\$ -	\$5,104,725	\$ -	\$5,104,725	\$5,104,725
	\$ -	\$5,104,725	\$ -	\$5,104,725	\$5,104,725

Category 1: Insured or registered, or securities held by the district or its agent in the district's name.

Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or its agent in the district's name.

Category 3: Uninsured and unregistered, with securities held by the counter party, its trust department, or its agent, but not held in the district's name.

According to GASB 31, investments in pooled funds and the Cash in County Treasury should be recorded at fair value. However, the District determined that the fair value approximates cost; therefore, no adjustment was made to reflect the difference.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2000 consist of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund	Internal Service Fund	Totals
Federal government:					
Categorical aid programs	\$ 640,632	\$ 815,252	\$ -	\$ -	\$1,455,884
State government:					
Categorical aid programs	\$ 222,594	\$ 53,334	\$ -	\$ -	\$ 275,928
Deferred Maintenance	-	524,668	-	-	514,668
Other	1,419,054	-	18,063	-	1,437,117
Totals	\$1,641,648	\$ 568,002	\$18,063	\$ -	\$2,227,713
Interest	239,519	10,189	14,982	5,731	270,421
Miscellaneous	363,415	72,206	5,937	29,552	471,110
Totals	\$ 602,934	\$ 82,395	\$20,919	\$35,283	\$ 741,531
Totals	\$2,885,214	\$1,465,649	\$38,982	\$35,283	\$4,425,128

NOTE 4 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2000, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$2,217,213	\$ 160,865
Capital Facilities	5,165	295,596
Cafeteria	160,865	1,873,567
Child Development	-	40,839
Self Insurance	-	11,820
State School Building	-	556
Totals	<u>\$2,383,243</u>	<u>\$2,383,243</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 1999-00 fiscal year were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Cafeteria	General	\$160,865
Deferred Maintenance	General	441,000
Self-Insurance	General	20,000
Total		<u>\$621,865</u>

NOTE 5 - LEASES

Capital Leases

The district leases equipment under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year Year Ending June 30</u>	<u>Lease Payment</u>
2001	\$ 2,049,620
2002	1,962,929
2003	1,103,062
2004	978,064
2005	980,105
Thereafter	<u>1,746,820</u>
Total	8,820,600
Less amount representing interest	<u>1,495,415</u>
Present value of net minimum lease payments	<u>\$ 7,325,185</u>

NOTE 6 - TRANS PAYABLE

In July 1999 the District entered into the San Diego Area Local Governments 1999 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$5,000,000 which yield 4.00% interest.

The notes mature on July 28, 2000 at which time the principal amount and any unpaid interest is due and payable. At June 30, 2000 the amount of the District's note is reflected on the combined balance sheet in the general fund as current loans.

NOTE 7 - GENERAL LONG-TERM DEBT- SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2000 is shown below:

	Balance <u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2000</u>
Compensated absences	\$ 594,019	\$ -	\$154,194	\$ 439,825
Capital leases	<u>8,869,471</u>	<u>-</u>	<u>1,544,286</u>	<u>7,325,185</u>
Totals	<u>\$9,463,490</u>	<u>\$ -</u>	<u>\$1,698,480</u>	<u>\$7,765,010</u>

NOTE 8 - JOINT VENTURES (Joint Powers Agreements)

The Cajon Valley Union School District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRMS). The relationship between the Cajon Valley Union School District and the JPA is such that the JPA is not a component unit of the Cajon Valley Union School District for financial reporting purposes.

The JPA arranges for and provides workers' compensation and property and liability insurance for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed financial information of the District's JPA for the year ended June 30, 2000 is shown below:

	<u>Unaudited</u>
Total Assets	\$ 292,656
Total Liabilities	604,685
Total Fund Balance	(312,029)
Total Cash Receipts	1,570,979
Total Cash Disbursements	1,404,004
Net Change in Fund Balance	166,975

NOTE 9 - FUND BALANCES - RESERVED/DESIGNATED

The following amounts were reserved by the Board of Education for the special purposes indicated below:

	<u>General Fund</u>	<u>Cafeteria Fund</u>
Revolving cash	\$ 15,000	\$ -
Stores inventory	<u>246,121</u>	<u>52,145</u>
	<u>\$261,121</u>	<u>\$52,145</u>

The following amounts were designated by the Board of Education for the special purposes indicated below:

	<u>General Fund</u>
Designated for:	
Economic uncertainty	<u>\$3,224,051</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

B. Sick Leave

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave.

C. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

D. Joint Powers Agreements

At June 30, 2000 the district's share of cash in the JPA was in the deficit. Beginning in July 1999, those district's that had a cash deficit as of the June 30, 1998 audit of the JPA, will be required to repay the deficit amount, plus interest, equally over a ten year period. The district is currently in the process of making the required payments to eliminate their current deficit cash balance.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

All funds of the District participate in the programs, but only the General Fund makes payments to the Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of \$1,006,481 is included in the liabilities and is reported in accordance with Internal Service Standards Board Statement No.10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claims liability in the fiscal year ended June 30, 2000 are indicated below.

	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
Internal Service Fund: 1999-00	<u>\$959,729</u>	<u>\$5,345,205</u>	<u>\$5,298,453</u>	<u>\$1,006,481</u>

NOTE 12 - SUBSEQUENT EVENTS

The district issued \$5,000,000 in tax and revenue anticipation notes dated July 5, 2000. The notes mature on August 3, 2001 and yield 4.40% interest. The notes were sold to supplement cash flow.

Repayment requirements are that interest be paid at June 30, 2001 and at maturity. All principal is due at maturity.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

Plan Description and Provisions

PERS:

Plan Description

The district contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CALPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 1999-00 was 0% of annual payroll. The contribution requirements of the plan members are established by state statute. The district's contributions to CalPERS for the fiscal year ending June 30, 2000, 1999, and 1998 were \$0, \$0 and \$847,419, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The district contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 1999-00 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The district's contributions to STRS for the fiscal year ending June 30, 2000, 1999, and 1998 were \$4,413,102, \$4,246,106 and \$4,000,619, respectively, and equal 100% of the required contributions for each year.

NOTE 14 - POST-RETIREMENT HEALTH BENEFITS:

The District provides various levels of health benefit coverage for eligible retirees until age 65. The retiree must have worked for the District for at least ten years. The amount paid for these benefits in the fiscal year ended June 30, 2000, was \$968,243. The estimated cost for 2000-01 is \$1,057,722. Under this plan, the District has agreed to continue to provide these benefits without any additional performance from these retirees.

COMBINING FINANCIAL STATEMENTS

CAJON VALLEY UNION SCHOOL DISTRICT

EXHIBIT B-2

COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2000

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Totals June 30, 2000
ASSETS:				
<i>Cash in county treasury</i>	\$ 40,632	\$ 336,872	\$ 135,272	\$ 512,776
<i>Cash on hand and in banks</i>	-	589,066	-	589,066
<i>Accounts receivable</i>	58,940	889,933	516,776	1,465,649
<i>Due from other funds</i>	-	160,865	-	160,865
<i>Stores Inventories</i>	-	52,145	-	52,145
Total assets	<u>\$ 99,572</u>	<u>\$ 2,028,881</u>	<u>\$ 652,048</u>	<u>\$ 2,780,501</u>
LIABILITIES AND FUND EQUITY:				
Liabilities:				
<i>Accounts payable</i>	\$ 17,381	\$ 48,850	\$ -	\$ 66,231
<i>Due to other funds</i>	40,839	1,873,566	-	1,914,405
<i>Deferred revenue</i>	41,352	-	-	41,352
Total liabilities	<u>99,572</u>	<u>1,922,416</u>	<u>-</u>	<u>2,021,988</u>
Fund Equity:				
Reserved Fund Balances:				
<i>Reserved for stores inventories</i>	-	52,145	-	52,145
<i>Unreserved, undesignated fund balance</i>	-	54,320	652,048	706,368
Total fund equity	<u>-</u>	<u>106,465</u>	<u>652,048</u>	<u>758,513</u>
Total liabilities and fund equity	<u>\$ 99,572</u>	<u>\$ 2,028,881</u>	<u>\$ 652,048</u>	<u>\$ 2,780,501</u>

The accompanying notes are an integral part of this statement.

CAJON VALLEY UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

ALL SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2000

	Child Development Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
<i>Federal</i>	\$ -	\$ -	\$ -
<i>Other state</i>	669,982	695,936	25,954
<i>Other local</i>	-	7,239	7,239
Total revenues	<u>669,982</u>	<u>703,175</u>	<u>33,193</u>
Expenditures:			
Current:			
<i>Certificated salaries</i>	398,626	295,961	102,665
<i>Classified salaries</i>	187,523	184,051	3,472
<i>Employee benefits</i>	127,030	123,845	3,185
<i>Books and supplies</i>	63,441	32,238	31,203
<i>Services and other operating expenditures</i>	27,323	20,092	7,231
<i>Capital outlay</i>	124,467	110,675	13,792
Total expenditures	<u>928,410</u>	<u>766,862</u>	<u>161,548</u>
Excess (deficiency) of revenues over (under) expenditures	(258,428)	(63,687)	194,741
Other financing sources (uses):			
<i>Operating transfers in</i>	-	82,467	82,467
<i>Other uses</i>	(21,736)	(18,794)	2,942
Total other financing sources (uses)	<u>(21,736)</u>	<u>63,673</u>	<u>85,409</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(280,164)	(14)	280,150
Fund balances/equity, July 1	14	14	-
Fund balances/equity, June 30	<u>\$ (280,150)</u>	<u>\$ -</u>	<u>\$ 280,150</u>

The accompanying notes are an integral part of this statement.

Cafeteria Fund			Deferred Maintenance Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,119,638	\$ 3,084,501	\$ (35,137)	\$ -	\$ -	\$ -
206,587	281,961	75,374	481,500	556,676	75,176
1,568,832	1,674,248	105,416	5,000	16,113	11,113
<u>4,895,057</u>	<u>5,040,710</u>	<u>145,653</u>	<u>486,500</u>	<u>572,789</u>	<u>86,289</u>
-	-	-	-	-	-
3,647,787	1,876,613	1,771,174	-	-	-
692,570	425,749	266,821	-	-	-
2,617,140	2,444,749	172,391	-	-	-
192,250	192,204	46	1,041,000	645,450	395,550
58,075	58,064	11	-	-	-
<u>7,207,822</u>	<u>4,997,379</u>	<u>2,210,443</u>	<u>1,041,000</u>	<u>645,450</u>	<u>395,550</u>
(2,312,765)	43,331	2,356,096	(554,500)	(72,661)	481,839
165,240	160,865	(4,375)	441,000	441,000	-
(157,852)	(157,851)	1	-	-	-
<u>7,388</u>	<u>3,014</u>	<u>(4,374)</u>	<u>441,000</u>	<u>441,000</u>	<u>-</u>
(2,305,377)	46,345	2,351,722	(113,500)	368,339	481,839
60,120	60,120	-	283,709	283,709	-
<u>\$ (2,245,257)</u>	<u>\$ 106,465</u>	<u>\$ 2,351,722</u>	<u>\$ 170,209</u>	<u>\$ 652,048</u>	<u>\$ 481,839</u>

CAJON VALLEY UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2000

	Totals		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue:			
<i>Federal</i>	\$ 3,119,638	\$ 3,084,501	\$ (35,137)
<i>Other state</i>	1,358,069	1,534,573	176,504
<i>Other local</i>	1,573,832	1,697,600	123,768
Total revenues	<u>6,051,539</u>	<u>6,316,674</u>	<u>265,135</u>
Expenditures:			
Current:			
<i>Certificated salaries</i>	398,626	295,961	102,665
<i>Classified salaries</i>	3,835,310	2,060,664	1,774,646
<i>Employee benefits</i>	819,600	549,594	270,006
<i>Books and supplies</i>	2,680,581	2,476,967	203,594
<i>Services and other operating expenditures</i>	1,260,573	857,746	402,827
<i>Capital outlay</i>	182,542	168,739	13,803
Total expenditures	<u>9,177,232</u>	<u>6,409,691</u>	<u>2,767,541</u>
Excess (deficiency) of revenues over (under) expenditures	(3,125,693)	(93,017)	3,032,676
Other financing sources (uses):			
<i>Operating transfers in</i>	606,240	684,332	78,092
<i>Other uses</i>	(179,588)	(176,645)	2,943
Total other financing sources (uses)	<u>426,652</u>	<u>507,687</u>	<u>81,035</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses	(2,699,041)	414,670	3,113,711
Fund balances/equity, July 1	343,843	343,843	-
Fund balances/equity, June 30	<u>\$ (2,355,198)</u>	<u>\$ 758,513</u>	<u>\$ 3,113,711</u>

The accompanying notes are an integral part of this statement.

State School Bldg. Lease	Special Reserve For Capital Outlay Projects	Totals June 30, 2000
\$ 1,200	\$ 70,826	\$ 1,103,449
18,958	1,093	38,982
-	-	5,165
\$ 20,158	\$ 71,919	\$ 1,147,596
-	-	991
556	-	296,152
556	-	297,143
19,602	71,919	850,453
19,602	71,919	850,453
\$ 20,158	\$ 71,919	\$ 1,147,596

State School Bldg. Lease	Special Reserve For Capital Outlay Projects	Totals June 30, 2000
\$ 3,703	\$ 3,920	\$ 1,459,111
<u>3,703</u>	<u>3,920</u>	<u>1,459,111</u>
-	-	58,773
-	-	20,681
-	-	42,162
-	-	398,456
85,559	-	562,584
<u>85,559</u>	<u>-</u>	<u>1,371,350</u>
(81,856)	3,920	87,761
(28,702)	-	(28,702)
<u>(28,702)</u>	<u>-</u>	<u>(28,702)</u>
(110,558)	3,920	59,059
130,160	67,999	791,394
<u>\$ 19,602</u>	<u>\$ 71,919</u>	<u>\$ 850,453</u>

Capital Facilities Fund			State School Building Lease-Purchase Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 634,500	\$ 1,146,361	\$ 511,861	\$ 3,703	\$ 3,703	\$ -
634,500	1,146,361	511,861	3,703	3,703	-
112,722	58,773	53,949	-	-	-
37,281	20,681	16,600	-	-	-
42,200	42,162	38	-	-	-
398,457	398,456	1	-	-	-
-	-	-	85,559	85,559	-
879,354	808,766	70,588	85,559	85,559	-
(244,854)	337,595	582,449	(81,856)	(81,856)	-
-	-	-	(28,702)	(28,702)	-
-	-	-	(28,702)	(28,702)	-
(244,854)	337,595	582,449	(110,558)	(110,558)	-
317,628	317,628	-	130,160	130,160	-
\$ 72,774	\$ 655,223	\$ 582,449	\$ 19,602	\$ 19,602	\$ -

Totals		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 896,488	\$ 1,459,111	\$ 562,623
<u>896,488</u>	<u>1,459,111</u>	<u>562,623</u>
112,722	58,773	53,949
37,281	20,681	16,600
42,200	42,162	38
398,457	398,456	1
562,584	562,584	-
<u>1,441,938</u>	<u>1,371,350</u>	<u>70,588</u>
(545,450)	87,761	633,211
(28,702)	(28,702)	-
<u>(28,702)</u>	<u>(28,702)</u>	<u>-</u>
(574,152)	59,059	633,211
791,394	791,394	-
<u>\$ 217,242</u>	<u>\$ 850,453</u>	<u>\$ 633,211</u>

CAJON VALLEY UNION SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2000

EXHIBIT B-8

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
<u>ELEMENTARY STUDENT ACTIVITIES</u>				
ASSETS				
<i>Cash and investments</i>	\$ 71,827	\$ 90,905	\$ 93,958	\$ 68,774
Total Assets	<u>\$ 71,827</u>	<u>\$ 90,905</u>	<u>\$ 93,958</u>	<u>\$ 68,774</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 71,827	\$ 90,905	\$ 93,958	\$ 68,774
Total Liabilities	<u>\$ 71,827</u>	<u>\$ 90,905</u>	<u>\$ 93,958</u>	<u>\$ 68,774</u>
<u>MIDDLE SCHOOL STUDENT ACTIVITIES</u>				
ASSETS				
<i>Cash and investments</i>	\$ 80,899	\$ 414,254	\$ 425,591	\$ 69,562
Total Assets	<u>\$ 80,899</u>	<u>\$ 414,254</u>	<u>\$ 425,591</u>	<u>\$ 69,562</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 80,899	\$ 414,254	\$ 425,591	\$ 69,562
Total Liabilities	<u>\$ 80,899</u>	<u>\$ 414,254</u>	<u>\$ 425,591</u>	<u>\$ 69,562</u>
<u>VOCATIONAL EDUCATION STUDENT ACTIVITIES</u>				
ASSETS				
<i>Cash and investments</i>	\$ 56,014	\$ 232,134	\$ 219,712	\$ 68,436
Total Assets	<u>\$ 56,014</u>	<u>\$ 232,134</u>	<u>\$ 219,712</u>	<u>\$ 68,436</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 56,014	\$ 232,134	\$ 219,712	\$ 68,436
Total Liabilities	<u>\$ 56,014</u>	<u>\$ 232,134</u>	<u>\$ 219,712</u>	<u>\$ 68,436</u>
<u>TOTAL AGENCY FUNDS:</u>				
ASSETS				
<i>Cash and investments</i>	\$ 208,740	\$ 737,293	\$ 739,261	\$ 206,772
Total Assets	<u>\$ 208,740</u>	<u>\$ 737,293</u>	<u>\$ 739,261</u>	<u>\$ 206,772</u>
LIABILITIES				
<i>Due to student groups</i>	\$ 208,740	\$ 737,293	\$ 739,261	\$ 206,772
Total Liabilities	<u>\$ 208,740</u>	<u>\$ 737,293</u>	<u>\$ 739,261</u>	<u>\$ 206,772</u>

Supplementary Information Section

**CAJON VALLEY UNION SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2000**

The Cajon Valley Union School District was established in 1870 and is comprised of an area of approximately 66.3 square miles located in San Diego County. There were no changes in the boundaries of the District during the current year. The District is currently operating 21 elementary schools, and 5 middle schools (6, 7, 8 grades). The District also has the Sevick School for special education students.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Joe Mackey	President	November 2000
Marsha Saben	Vice-President	November 2002
Jill D. Barto	Member	November 2002
Laoma Dana Davidson	Clerk	November 2000
Dr. Donna Wallace	Member	November 2002

ADMINISTRATION

Dr. Marge Dean
Superintendent

Robyn Perlin
Assistant Superintendent
Instructional Services

G. Wayne Oetken
Assistant Superintendent
Business Services

Dr. Ronald Damschen
Assistant Superintendent
Personnel Services

**CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>ELEMENTARY</u>		
Kindergarten	1,942	1,944
First through Third	6,031	6,023
Fourth through Eighth	9,649	9,639
Home/Hospital	4	5
Special Education	783	785
Opportunity School	<u>8</u>	<u>9</u>
	<u>18,417</u>	<u>18,405</u>
 <u>SUMMER SCHOOL</u>		
	<u>Hours of Attendance</u>	
Elementary	<u>373,505</u>	

Average daily attendance is a measurement of the number of pupils attending classes of the district. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>1999-00 Actual Minutes</u>	<u>Status</u>
Kindergarten	31,680	36,000	36,000-37,800*	Complied
Grades 1 through 3	42,380	50,400	51,525-56,220*	Complied
Grades 4 through 8	52,560	54,000	54,000-60,185*	Complied

*Actual minutes offered varies among the schools in the District.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater as required by Education Code Section 46201.

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46201 through 42606.

Table 3

**CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>General Fund</u>	(Budget) <u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues and Other Financial Sources	<u>\$118,679,033</u>	<u>\$112,705,201</u>	<u>\$107,271,561</u>	<u>\$103,470,196</u>
Expenditures, Other Uses and Transfers Out	<u>116,590,651</u>	<u>112,859,211</u>	<u>105,891,707</u>	<u>99,916,641</u>
Change in Fund Balance	<u>2,088,382</u>	<u>(154,010)</u>	<u>1,379,854</u>	<u>3,553,555</u>
Ending Fund Balance	<u>\$ 12,717,281</u>	<u>\$ 10,628,899</u>	<u>\$ 10,782,909</u>	<u>\$ 9,403,055</u>
Available Reserves	\$ 12,702,281	\$ 10,367,776	\$ 10,513,436	\$ 9,114,980
Available Reserves as a Percentage of Total Outgo	10.8%	9.2%	9.9%	9.1%
Total Long-Term Debt	\$ 6,165,000	\$ 7,765,010	\$ 9,463,490	\$ 10,998,426
Average Daily Attendance at P-2	18,417	18,417	18,429	19,135

The general fund balance has increased by \$4,779,399 over the past three years. The fiscal year 2000-01 budget projects a increase of \$2,088,382 (19.6%). For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The district incurred an operating surplus in two of the last three years, and anticipates incurring an operating surplus during the 2000-01 fiscal year. Total long-term debt has decreased by \$2,743,798 over the past three years.

Average daily attendance is not expected to change during fiscal year 2000-01.

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

**CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
U.S. Department of Education:			
Impact Aid	84.041	-	\$ 7,215
After School Learning Centers	84.287	-	220,586
Bilingual Education	84.289	-	35,710
Passed through California Department of Education (CDE):			
IASA Title I	84.010	03064	3,964,139
IASA Title VI	84.298	03340	496,153
Title II	84.281	03207	150,509
Title IV	84.186	03453	198,091
Emergency Immigrant Education	84.162	03159	123,507
Reading Intervention	84.276	03264	67,983
Preschool	84.173	03430	384,731
Special Education	84.027	03379	1,392,300
Goals 2000	84.276	03264	124,230
Comprehensive School Reform	84.332	03966	<u>203,051</u>
Total U.S. Department of Education			7,368,205
U.S. Department of Agriculture:			
Passed through CDE:			
National School Lunch	10.555	03396	2,652,671
National School Breakfast	10.553	03988	<u>431,830</u>
Total U.S. Department of Agriculture			3,084,501
U.S. Department of Health and Human Services:			
Medi-Cal	93.778	-	<u>139,148</u>
U.S. Department of Interior:			
Wildlife Reserve	15.611	-	<u>15,582</u>
Total Expenditures of Federal Awards			<u>\$10,607,436</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cajon Valley Union School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Cajon Valley Union School District did not provide any federal awards to subrecipients.

**CAJON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND
BUDGET REPORT (J-200) WITH AUDITED
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Long-Term Debt <u>Account Group</u>
June 30, 2000, annual financial and budget report (Form J-200) total liabilities	\$ 8,771,491
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Other long-term debt overstatement	<u>(1,006,481)</u>
Net adjustments and reclassifications	<u>(1,006,481)</u>
June 30, 2000, audited financial statement, General long-term debt total liabilities	<u>\$ 7,765,010</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the Form J-200 to the audited financial statements. All other fund balances as reported on the Form J-200 were in agreement to the audited financial statements.

**CAJON VALLEY UNION SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2000**

NOTE 1 - EARLY RETIREMENT INCENTIVE PROGRAM

The district has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the district.

Retiree Information

A total of five employees have retired as of June 30, 2000 in exchange for the additional two years of service credit.

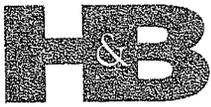
<u>Position Vacated</u>	<u>Age</u>	<u>Service Credit</u>	<u>Retired Employee</u>		<u>Replacement Employee</u>	
			<u>Salary</u>	<u>Benefits</u>	<u>Salary</u>	<u>Benefits</u>
Teacher	60	35	66,739	7,409	33,270	2,056
Teacher	58	29	66,739	7,409	33,270	7,295
Teacher	59	8	25,237	6,126	21,031	6,112
Facilitator	60	8	33,986	7,297	28,321	3,068
Nurse	57	9	<u>39,622</u>	<u>7,317</u>	<u>16,635</u>	<u>7,239</u>
			<u>\$232,323</u>	<u>\$35,588</u>	<u>\$132,527</u>	<u>\$25,770</u>

Additional Costs

As a result of this early retirement incentive program, the district expects to incur \$205,912 in additional costs. The breakdown in additional costs is presented below:

Retirement costs	\$135,125
Post-retirement health benefit costs	69,537
Administrative costs	<u>1,250</u>
Total additional costs	<u>\$205,912</u>

Other Independent Auditor's Reports



James C. Harlan III
William C. Boettger
P. Robert Wilkinson
Marshall J. Varano

**Board of Trustees
Cajon Valley Union School District
El Cajon, California**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of Cajon Valley Union School District as of and for the year ended June 30, 2000 and have issued our report thereon dated October 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

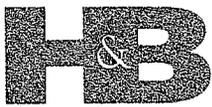
As part of obtaining reasonable assurance about whether Cajon Valley Union School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cajon Valley Union School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting as described in the Schedule of Audit Findings and Questioned Costs.

This report is intended solely for the information of the Board, management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than the specified parties.


October 20, 2000



James C. Harlan III
William C. Boettger
P. Robert Wilkinson
Marshall J. Varano

**Board of Trustees
Cajon Valley Union School District
El Cajon, California**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Cajon Valley Union School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Cajon Valley Union School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

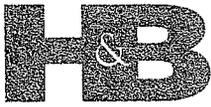


Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board, management, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in black ink, appearing to read 'Harlan & Boettger LLP'.

October 20, 2000



James C. Harlan III
 William C. Boettger
 P. Robert Wilkinson
 Marshall J. Varano

**Board of Trustees
 Cajon Valley Union School District
 El Cajon, California**

AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited the general purpose financial statements of the Cajon Valley Union School District, as of and for the year ended June 30, 2000 and have issued our report thereon dated October 20, 2000. Our audit was made in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The district's management is responsible for the district's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the district's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures In Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	4	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	Yes
Continuation education	13	Not applicable
Adult education	8	Not applicable
Regional Occupational Center/programs	5	Not applicable
County Office of Education programs	9	Not applicable



<u>Description</u>	<u>Procedures In Controller's Audit Guide</u>	<u>Procedures Performed</u>
Incentive for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not applicable
GANN limit calculation	2	Yes
Early retirement incentive program	5	Yes
Community day schools	8	Not applicable
Class size reduction program:		
Option one classes	12	Yes
Option two classes	11	Not applicable
Option one and two classes	17	Not applicable
Reduce class size in two courses in grade 9	8	Not applicable
State instructional materials fund	8	Yes
Shiff- Bustamante Standards-Based Instructional Materials	4	Yes
Digital High School Education Technology Grant Program	5	Not applicable
Office of Criminal Justice Planning	-	Not applicable

Based on our audit, we found that, for the items tested, the Cajon Valley Union School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Cajon Valley Union School District had not complied with the state laws and regulations.

Harlan & Boettger, LLP

October 20, 2000

Findings and Recommendations Section

**CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2000**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.555	Child Nutrition
84.010	Title I
84.027	Special Education
84.173	Preschool
93.778	Medi-Cal

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section I- Summary of Auditor's Results (continued)

State Awards

Type of auditor's report issued on compliance for state programs:

Unqualified

Internal control over state programs:

Material weaknesses identified?

No

Reportable conditions identified not considered to be material weaknesses?

No

Section II- Findings and Recommendations

In accordance with Assembly Bill 3627 all audit findings must be identified as one or more of the following six categories:

Five Digit Code

AB 3627 Finding Types

10000

Attendance

20000

Inventory of Equipment

30000

Internal Control

40000

State Compliance

50000

Federal Compliance

60000

Miscellaneous

FINDING 2000-1 (30000)

Student Body Funds

Criteria/Specific Requirements

Internal controls must be in place to ensure the safeguarding of the assets and proper accounting for cash receipts and disbursements.

Condition

In our review of cash disbursements for the elementary schools, we noted several instances where invoices after being paid were not properly defaced. In addition, we noted the bank reconciliations for the middle school accounts were not being reconciled as of month end.

Questioned Costs

None

Recommendation

To ensure proper and adequate internal controls are in place for cash disbursements, we recommend procedures be implemented to require that all invoices, after being paid, be properly defaced with a notation of "paid". In addition, we recommend that all bank reconciliations be completed as of month end.

District Response

The account clerks who process elementary student body fund payments have been reminded of the importance of properly defacing each paid invoice so that duplicate payments do not occur. The accounting supervisor will periodically review the work of account clerks to ensure that this practice is being followed.

Bank reconciliations have routinely been performed mid-month to coincide with the date of the bank statement. Accounting personnel who perform these reconciliations have been advised that all accounts must be reconciled as of June 30 of each year, to provide a fiscal year-end balance.

Section III-Federal Award Findings and Questioned Costs

No Matters Were Reported

Section IV-State Award Findings and Questioned Costs

No Matters Were Reported

**CAJON VALLEY UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2000**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>99-1. The cafeteria fund experienced deficit spending and reserves were reduced to a minimal balance that could affect future obligations.</p>	<p>Implemented</p>	
<p>Monitor the cafeteria fund budge and make necessary changes to increase the undesignated fund balance.</p>		
<p>99-2. Invoices are not being defaced upon payment in review of the elementary student body funds.</p>	<p>Being Implemented</p>	
<p>Require all invoices be defaced when paid to prevent any possible duplicate payment.</p>		
<p>99-3. Teachers were not signing bi-weekly bi-weekly attendance records as verification that the attendance is complete and accurate.</p>	<p>Implemented</p>	
<p>Require all teachers to sign and date bi-weekly attendance records as verification that the attendance is complete and accurate.</p>		